

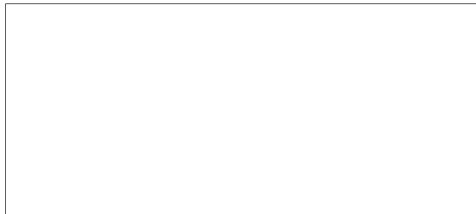
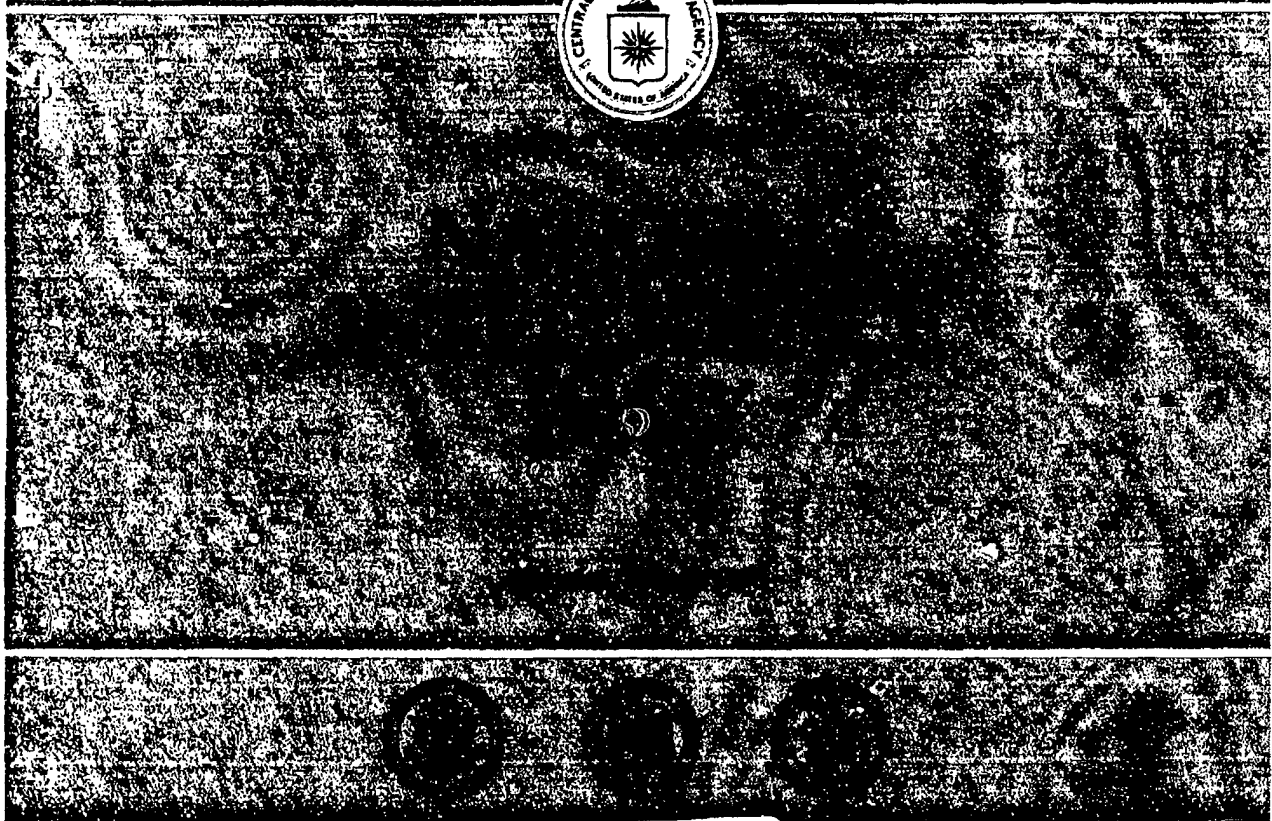
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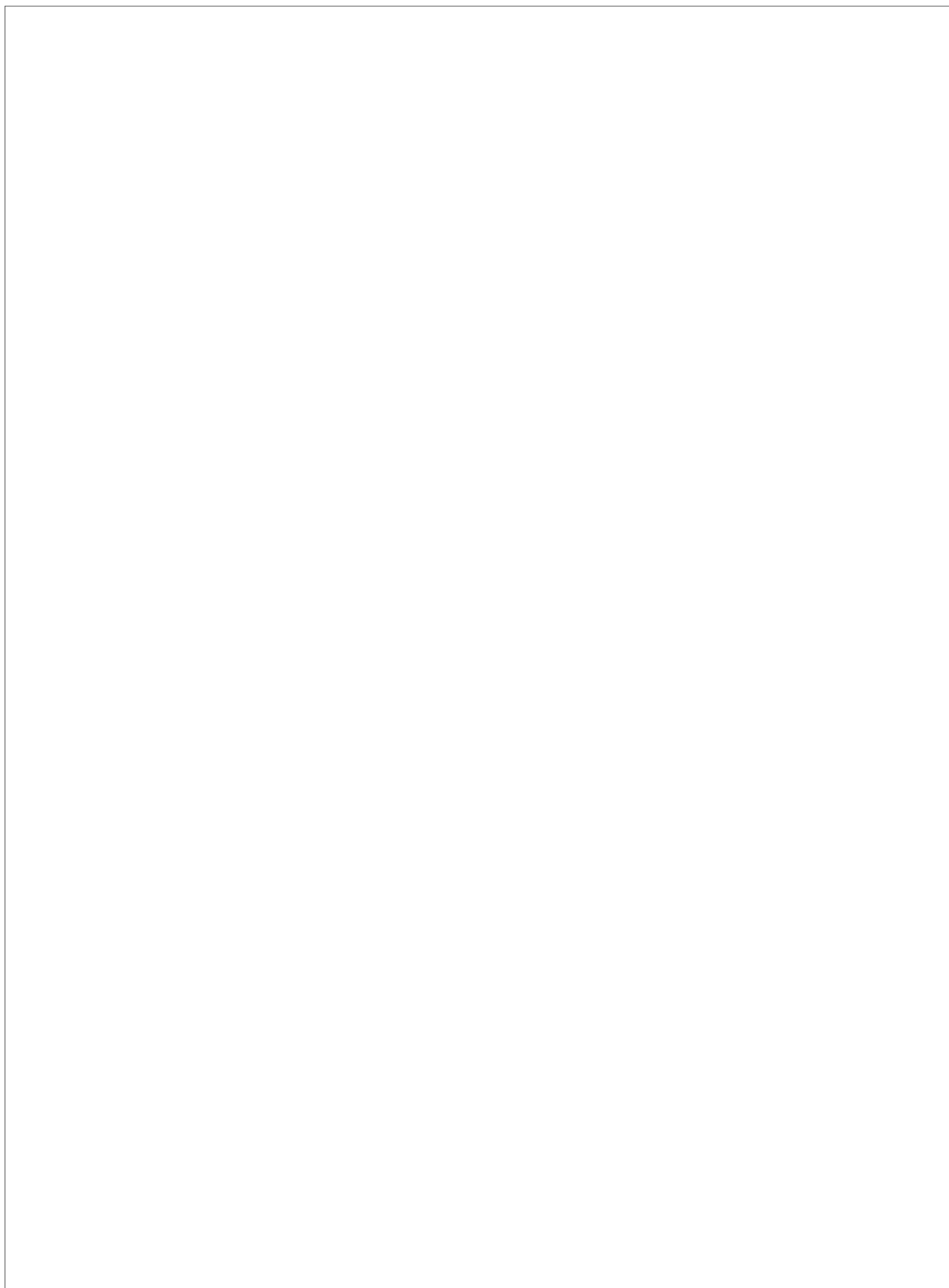
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German Reactions to Shevardnadze's Proposals

The Western Powers and West Germany were quick to reject Shevardnadze's proposals. The Kohl government shows no sign of wavering on its insistence that a unified Germany be in NATO from day one. Bonn also is not prepared—at least not yet—to accept any arrangement in which all NATO-stationed forces would have to leave Germany as a condition for the withdrawal of Soviet forces. Although membership in NATO and a continued US presence in Germany remain nonnegotiable, the West Germans still hope to win Soviet acquiescence in a two-plus-four agreement before the end of this year through economic incentives and concessions on other security issues, including steps to 'change' NATO, institutionalize CSCE, and limit the Bundeswehr's size.

Shevardnadze's proposals on Berlin—particularly the USSR's apparent readiness to give up occupation rights—probably scored some propaganda points with the German public. Although a senior East German Foreign Ministry official responded favorably to the proposals, Bonn is unlikely to accept an early withdrawal of Western forces from Berlin, and East German wishes may carry less weight after the GEMU is implemented on 1 July. Most West German officials long have said that US, British, and French forces should remain in Berlin as long as Soviet troops are in East Germany; West Berlin's Social Democratic mayor yesterday reiterated that stance in rejecting Shevardnadze's proposals. The Allies and the Germans also see a continuing presence in Berlin as providing a platform from which to monitor any residual Soviet military presence in eastern Germany.

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USSR:

Outlining a Transitional Period for Germany

At the two-plus-four ministerial in Berlin yesterday, Soviet Foreign Minister Shevardnadze made a few concessions but largely elaborated on Moscow's earlier positions, suggesting again that significant changes in NATO are key to further movement in the USSR's position.

Shevardnadze proposed that a united Germany remain in both alliances for five years before choosing its alliance status. He called for foreign forces in Germany to be halved within three years, with only "symbolic contingents" remaining. Shevardnadze also advocated a withdrawal of all Four-Power forces from Berlin within six months of political unification and the elimination of other features of the city's special status. He described a final two-plus-four document that would substitute for a peace treaty and would include an agreement to limit German forces either in CFE or some other forum.

The Soviet Foreign Minister continued the USSR's recent focus on next month's NATO summit in London, saying that settlement of the external aspects of unification would require changes in structure and strategy and the adoption—with the Warsaw Pact—of a "new code of conduct." He reaffirmed Moscow's commitment to holding a CSCE conference in November to ratify an agreement on Germany and said that this timetable would require the adoption of a final document at the two-plus-four ministerial in Moscow in September.

Comment: Shevardnadze offered concessions to German sensitivities by giving up the USSR's demands for a peace treaty and for German force levels to be negotiated in the two-plus-four forum, but most of his proposals merely amplified earlier Soviet positions. Moscow undoubtedly expected some of the positions he took, such as the five-year transitional period, to meet with immediate rejection; those stances may have been intended primarily to place added pressure on NATO to produce results next month. Shevardnadze's new stress on a short timetable for concluding the work of the two-plus-four forum probably reflects Moscow's recognition that unification is accelerating and that time is unlikely to enhance Soviet leverage.

Moscow probably hoped the proposals on Berlin would play particularly well with the German public and, by freeing Berlin to be the capital, reduce any resentment at the USSR's insistence on maintaining Four-Power rights during the transitional period. The Soviets may also calculate that a favorable response by the Germans would strengthen Moscow's efforts to link Soviet and Western troop withdrawals from Germany.

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USSR:

Russian Party Chief Elected

Regional party secretary Ivan Polozkov, who publicly espouses a traditionalist program, has become first secretary of the Russian Communist Party, an outcome that might pose serious problems for President Gorbachev.

In the first round of voting at the Russian party congress yesterday, Polozkov, who narrowly lost the post of Russian Republic chairman to Boris Yel'tsin last month, received 1,017 votes, outpolling six other candidates, but 300 short of the total necessary for victory. Oleg Lobov, the little-known second secretary of the Armenian Communist Party, received 848 votes. A runoff was held later, and TASS and Western media today report official word of Polozkov's victory with some 1,396 votes.

Gorbachev reportedly supported Polozkov in the contest with Yel'tsin, but Polozkov has repeatedly expressed sympathy with traditionalist party secretary Ligachev. In his speech at the Russian party congress on Wednesday, Polozkov accused the Politburo of policy mistakes, called for a public referendum on the transition to a market economy, and urged continued adherence to party discipline. Lobov had served with Yel'tsin at Sverdlovsk in the mid-1980s, and TASS yesterday hailed him as a politician "capable of finding compromises" who has good working relations with Yel'tsin. Western press reports indicate he is a centrist who has Gorbachev's support.

Comment: Polozkov's strength in the voting and reactions to the speeches of other traditionalists indicate they have significant support among Russian delegates, who make up 58 percent of the delegates to the CPSU congress opening on 2 July. The victory by Polozkov strengthens traditionalists in the CPSU, improves their chances for thwarting Gorbachev's plans for party reform, and increases the odds of a direct challenge to his leadership.

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~~Top Secret~~**YUGOSLAVIA: Centrifugal Forces Increasingly Evident**

Ethnic passions pitting Serbs against Croats and Slovenes and Serbs against ethnic Albanians in Serbia's Kosovo Province continue to threaten Yugoslavia's integrity.

The new Slovene and Croatian governments are emphasizing their intention to restructure Yugoslavia or secede. Slovenia's Foreign Minister Rupel is leading efforts to win international support for the republic by announcing the opening of "cultural informational centers" in Brussels and Munich; he will seek US support in a Washington visit next month. Slovenia's Prime Minister Peterle reiterated this week that his republic will no longer contribute funds to the federal government for Yugoslavia's underdeveloped regions. Croatian President Tudjman in a recent interview once again said he plans to lead Croatia to confederation or independence as soon as possible; he claimed that the Bosnian and Croatian republics are a geopolitical unit that belong together.

Serbian President Milosevic is under growing pressure from Serbian nationalists. Vuk Draskovic's extremist Serbian Renewal Movement, which dominated the recent demonstrations in Belgrade, is calling on Serbia to subdue its ethnically Albanian province of Kosovo once and for all. Serbian and Albanian delegates to the Kosovo legislature are battling over the extent to which a new constitution should guarantee Albanian autonomy. Ultranationalist Serbian groups are offering to support Milosevic if he cracks down on the Albanians.

Comment: The resurgence of rightwing nationalism in Serbia is forcing Milosevic to take a hard line on Kosovo and on protecting the ethnic Serbs in Bosnia and Croatia. Tudjman's recent statements on Bosnia will add to tensions with Serbia.

The situation in Kosovo is currently the most explosive: a Serbian declaration of martial law or a suspension of the Kosovo legislature would spark communal violence. The rift between Serbia and the northern republics would also widen; Slovenia and Croatia almost certainly would distance themselves from Serbian repression in Kosovo.

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European Reaction to the Suspension

The West Europeans are divided over the US halt in talks with the PLO. West Germany understands the reasons for the US decision and hopes the dialogue will resume soon. The UK deplores suspension of the exchange and says its support for PLO participation in peace talks remains unchanged. Other West Europeans have expressed disappointment at the breakoff. The EC summit opening Monday probably will call for the UN's presence in the occupied territories and a continued US role in the peace process.

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PALESTINIANS: Anti-US Rhetoric Escalating

Palestinians in the West Bank and the Gaza Strip, angry and frustrated at the US suspension of the dialogue with the PLO, are warning it will cause more violence in Israel and the occupied territories, including retaliation against US interests.

Leaders in Arab East Jerusalem called a three-day general strike Thursday in reaction to the US announcement and an earlier clash with Israeli border police in which a Palestinian died. The strike quickly degenerated into an anti-US protest featuring slogans such as "America is our biggest enemy." A Palestinian leader from Nabulus warned that US officials would be in jeopardy. Israeli security imposed a curfew in Arab East Jerusalem yesterday after hundreds of masked Palestinians again attacked Israeli border police with iron bars, chains, and rocks.

Palestinian leaders in the occupied territories believe the suspension applies to them, and they will continue to boycott discussions with US officials. Islamic fundamentalists view the suspension as a blow to the PLO and a boon for radicals in the territories. Moderate Palestinian leader Hanna Sinyurah warned the move could escalate the *intifadah* and lead to a regional war.

The PLO Executive Committee on Thursday again officially denied responsibility for the PLF's attack on Israel and reaffirmed the PLO's commitment to Yasir Arafat's renunciation of terrorism. The Executive Committee stressed the PLO had not abandoned the goal of negotiations with Israel and called on the international community to work for an international conference on the peace process.

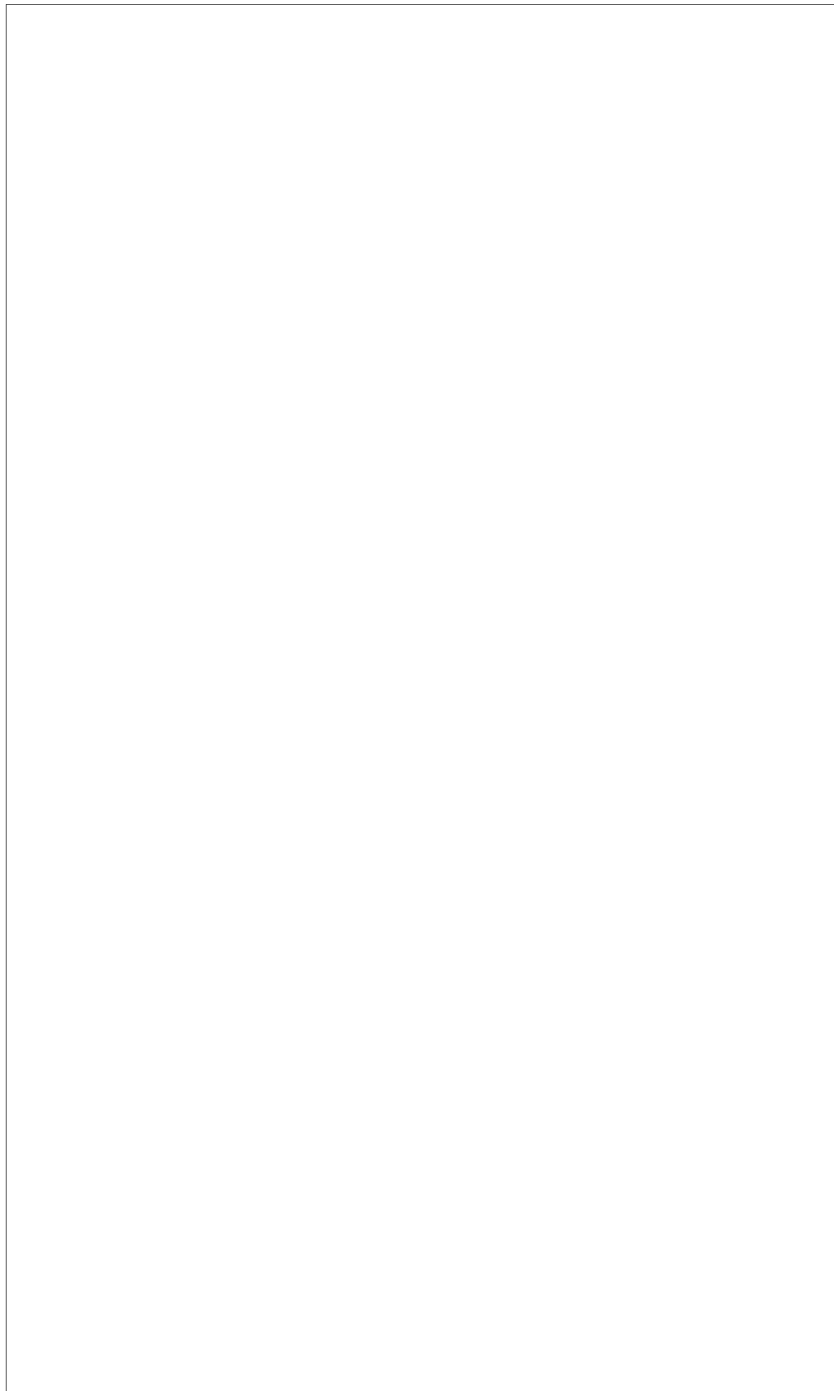
Comment: Palestinian hardliners almost certainly will use the suspension to reinvigorate the *intifadah* and win adherents. The Executive Committee's reaffirmation of the PLO's pledge in December 1988 to pursue a negotiated settlement and the somewhat muted tone of the statement may indicate Arafat hopes to keep his moderate initiative alive, even if on the back burner.

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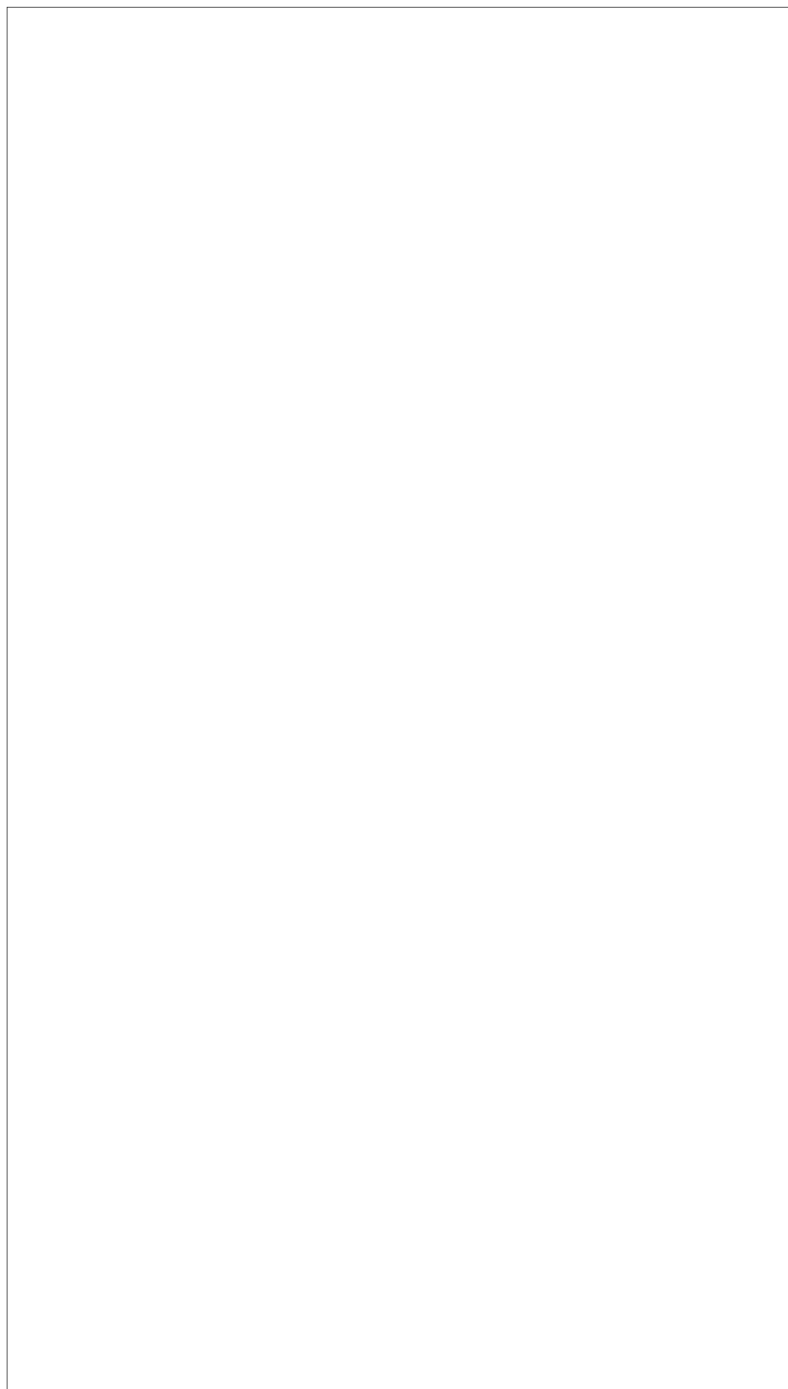


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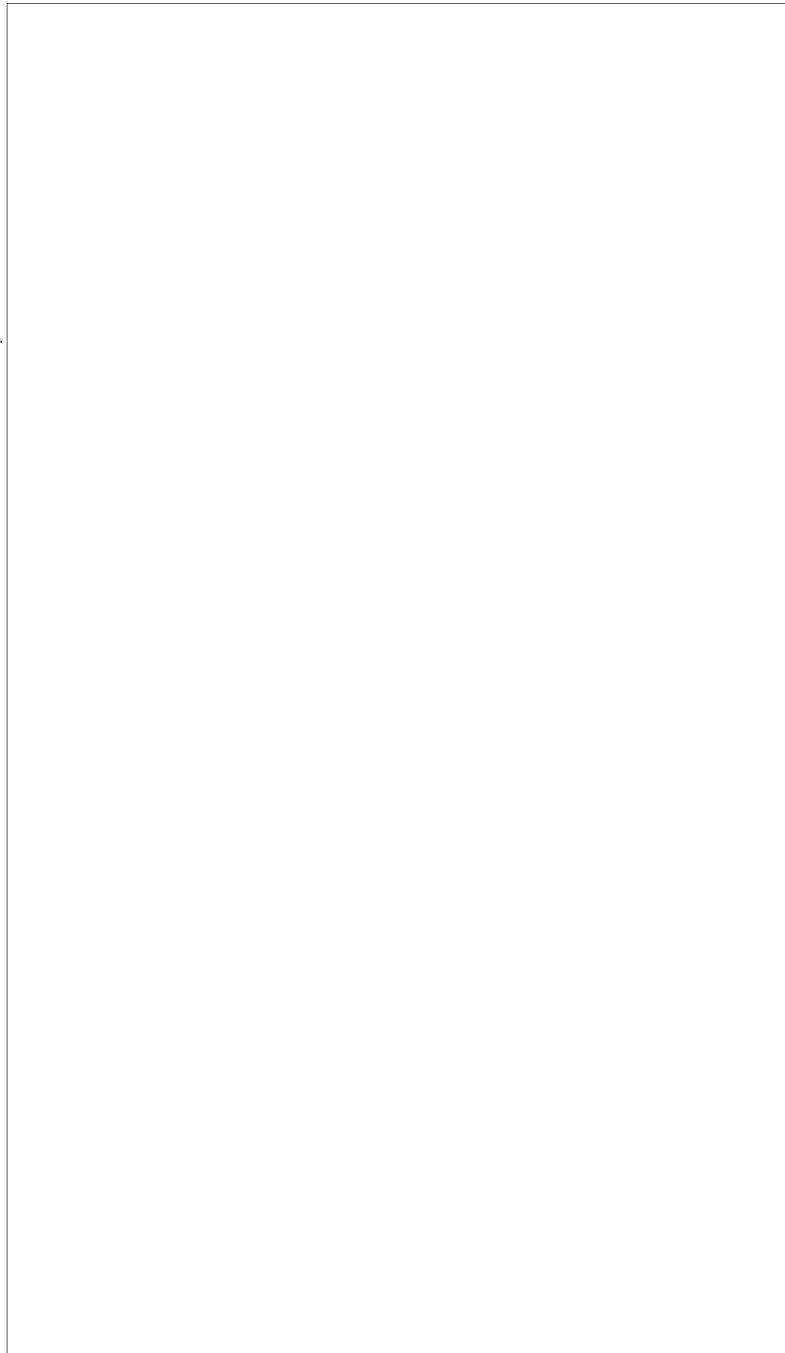
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Soviet Aid to Afghanistan, Pro and Con

"We have condemned that war; we have called it a crime. Good. How long then are we going to feed that war with our lethal weapons from Russia? How much is being spent on that war . . . the Americans reckon that, per month, it's at least \$300 million . . . not just arms, it's the thing we're most short of . . . In Vladimir Oblast . . . food is rationed; it's all going there . . . Let us leave that nation in peace."

—Russian Republic Deputy, 21 June 1990

"What does it mean for the USSR to have an unfriendly state as its southern neighbor . . .? The cost of maintaining the Soviet-Afghan border will rise many times . . . We may talk of curtailing aid to Nicaragua, Angola, and Ethiopia, whose debts are greater and which are far removed from us, but Afghanistan is close at hand and could be a time bomb . . ."

—Commander of Soviet Military Advisory Group in Afghanistan,
Komsomolskaya Pravda, 14 June

"What is 120 million rubles in economic aid? It is chicken feed for a state. If the question arises, I will go to Moscow and hold one-on-one talks with every member of the Supreme Soviet, I will go to the leaders of the interregional group and make my entreaties, but we must rake in these millions for Afghanistan."

—Soviet Ambassador to Afghanistan Pastukhov,
Komsomolskaya Pravda, 14 June

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~~TOP SECRET~~**USSR: Defending Continued Aid to Afghanistan**

Soviet foreign policy officials have begun emphasizing to domestic audiences the importance of continued aid to Afghanistan despite rising criticism from Soviet journalists and legislators. They are saying that Afghanistan, unlike other Third World clients, is a powder keg on the Soviet border. These officials note that the cost of military aid has decreased since the withdrawal of Soviet troops last year and claim that continued military aid is necessary to prevent insurgent elements from overwhelming Kabul. Some press commentaries talk of a moral obligation to a nation whose turmoil Moscow helped to create and of future economic benefits to be reaped from maintaining current support levels.

Comment: Although Soviet economic aid has declined since its peak last year, Moscow has not reduced deliveries of military aid.

Moscow's stronger public stand for Afghan aid suggests it is concerned that support to Kabul will increasingly become the focus of legislative critics who are pushing for across-the-board cuts in Soviet foreign aid.

WEST GERMANY: Calming the Europeans on GEMU

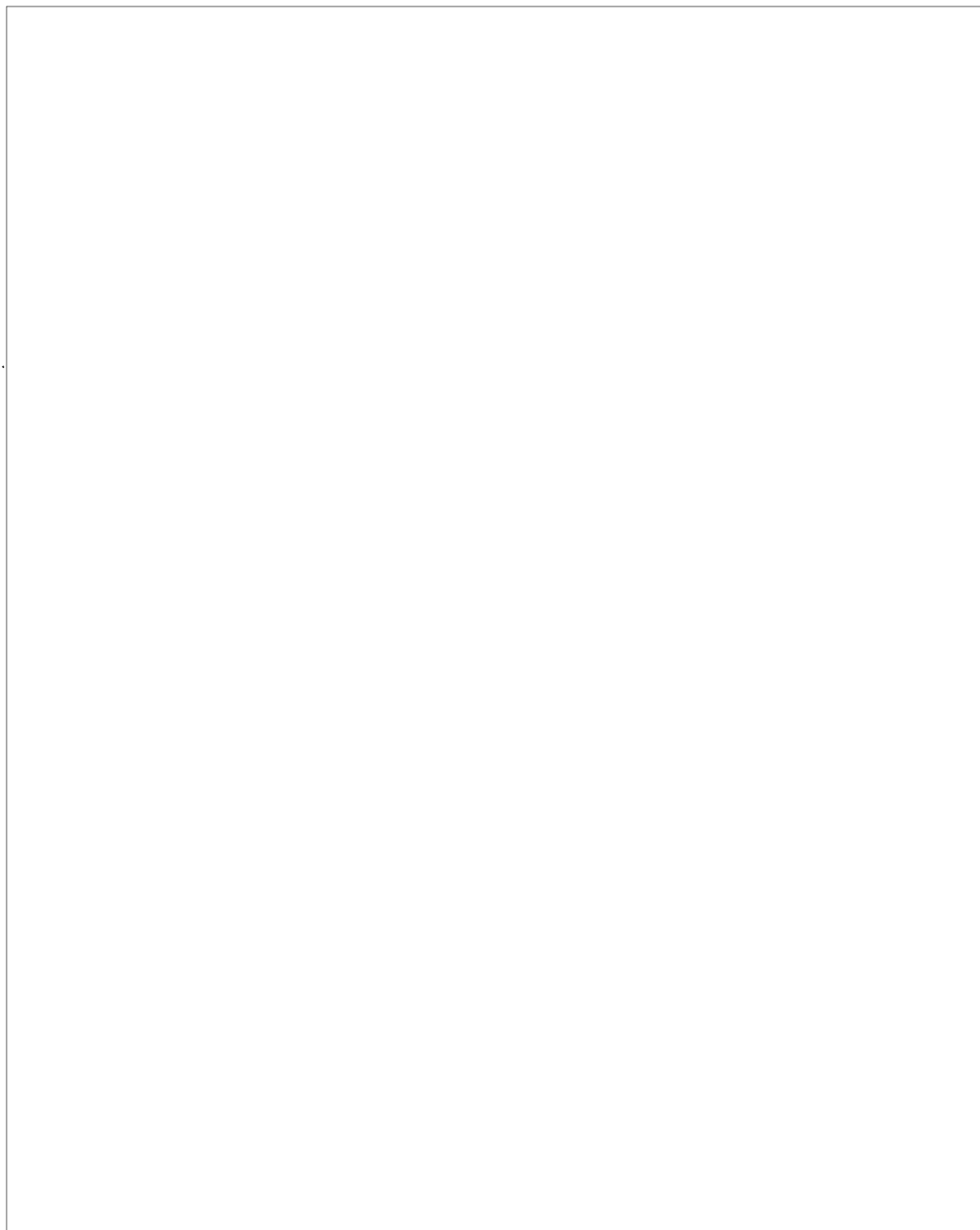
Bonn's decision to guarantee credits for the USSR and Hungary is part of an aggressive effort to assuage concerns in European capitals, including Moscow, that the German economic and monetary union (GEMU) to be implemented on 1 July will adversely affect their economies. Bonn has announced it will guarantee a \$3 billion credit for the USSR, and Chancellor Kohl has hinted publicly that West Germany will guarantee a \$480 million credit for Hungary. Senior Soviet and Hungarian officials had recently been emphasizing trade disruptions they fear from the GEMU. The West Germans also announced yesterday they have reached agreement with Warsaw on rescheduling part of Poland's debt.

Comment: Bonn's efforts at reassurance focus largely on the USSR and Eastern Europe, the regions most likely to suffer early downturns in trade with Germany as the GEMU takes effect. But German leaders realize they must also allay EC concerns that the GEMU will drive up interest rates and slow Western growth. During the EC and G-7 summits, the West Germans will emphasize that, even in the short term, the GEMU will increase German growth and yield export opportunities for Bonn's partners that outweigh prospective interest rate hikes.

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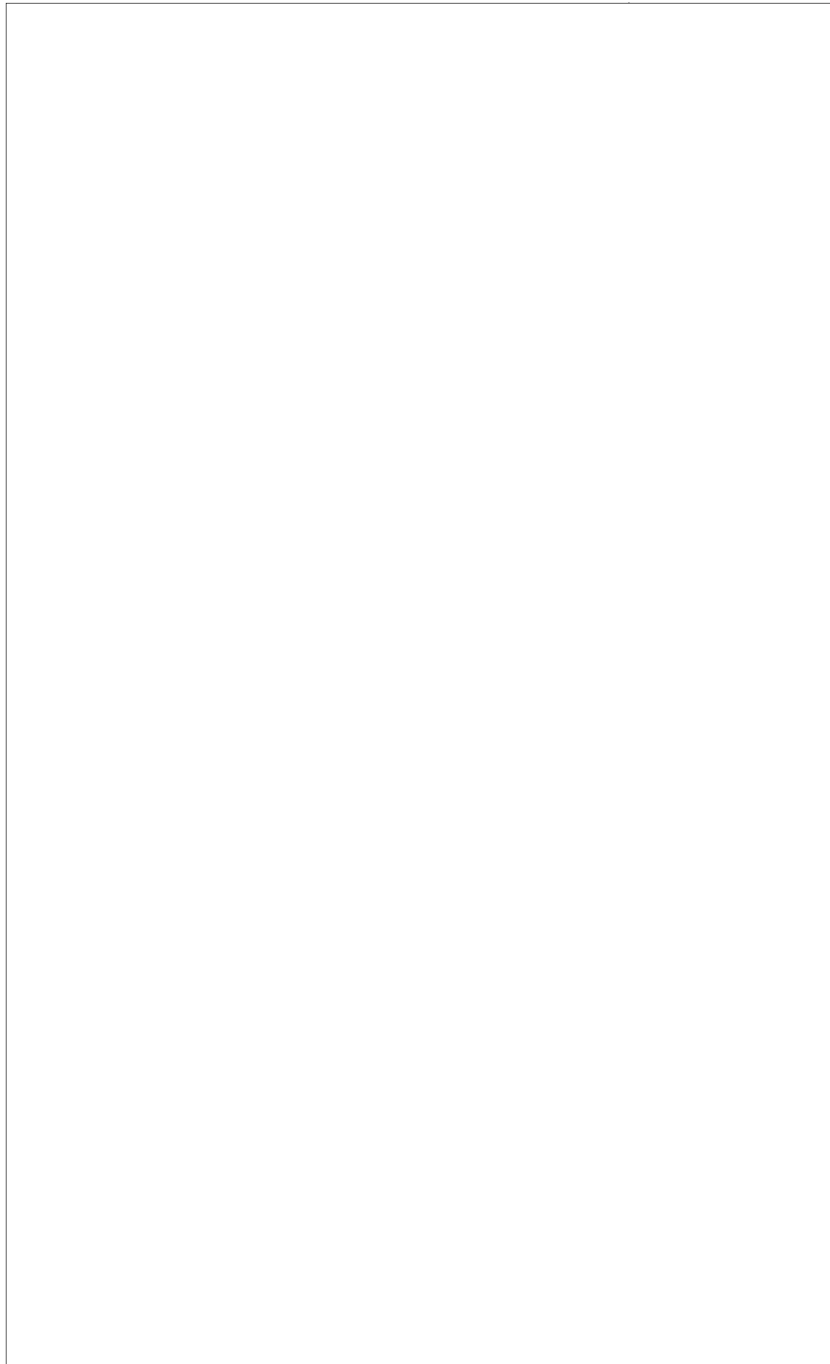


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In Brief

USSR

— USSR to resume payments on \$647 million owed US for lend-lease during World War II ... will help remove legal restrictions on borrowing from US banks.

— All five Soviet Central Asian republic leaders met yesterday in Alma-Ata to begin coordinating political, economic strategies ... trying to increase regional sovereignty ... united front will strengthen hand in dealings with Moscow.

— USSR's Ukrainian party chief Ivashko resigned yesterday, will remain head of republic's Supreme Soviet ... replaced by traditionalist Second Secretary Gurenko ... apparent bow to opposition to one person holding both top posts.

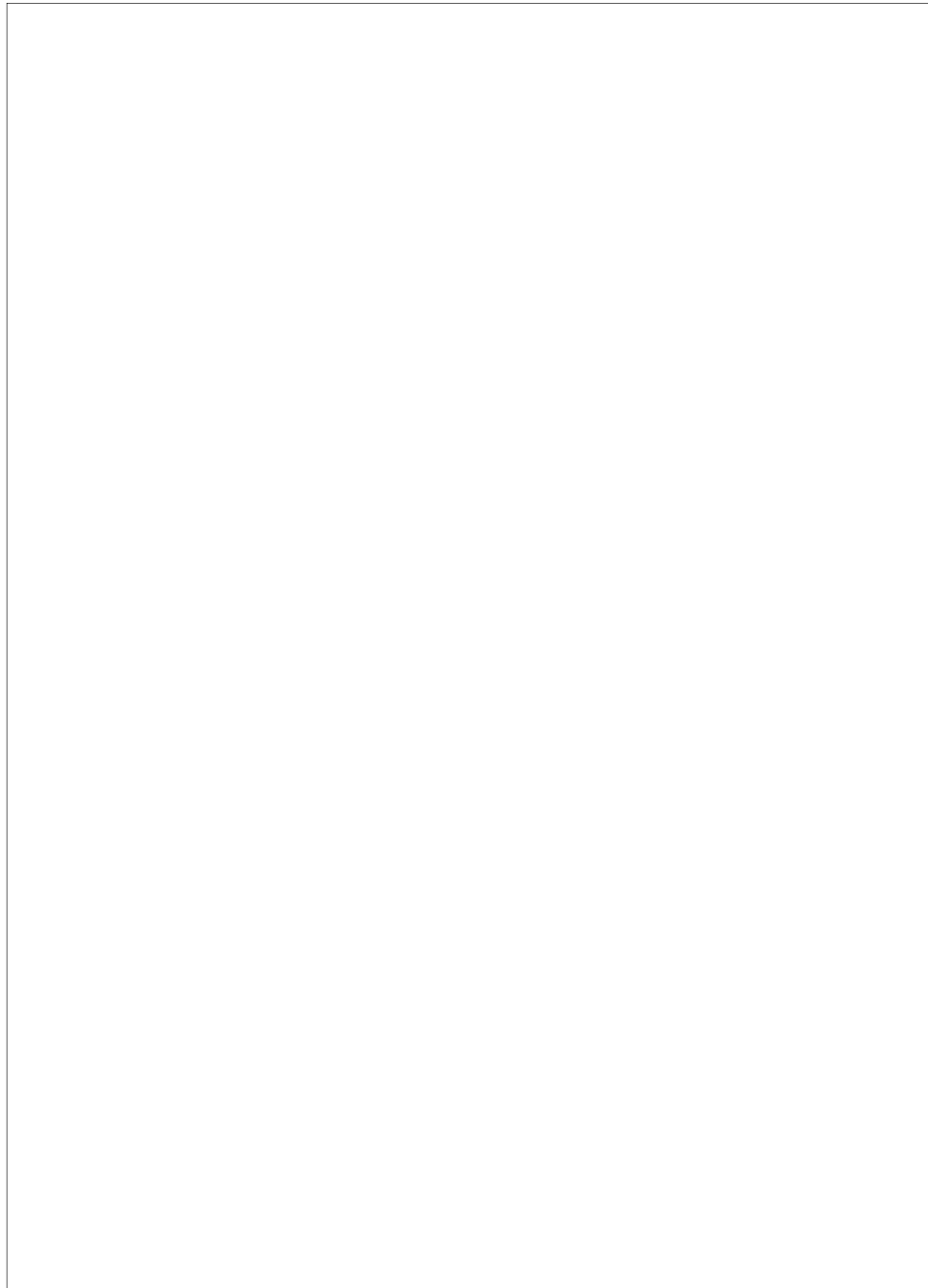
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Middle East

— [] Knesset member Zalman Shoval, a banker, likely new Israeli Ambassador to US . . . chosen for factional affiliation . . . probably will have little influence in formulating policy.

Europe

— First Italian general strike over wages in eight years set for 11 July . . . employers refuse to continue wage indexing, unions want weak coalition government to intervene . . . strike to be staged three days after World Cup soccer final. []

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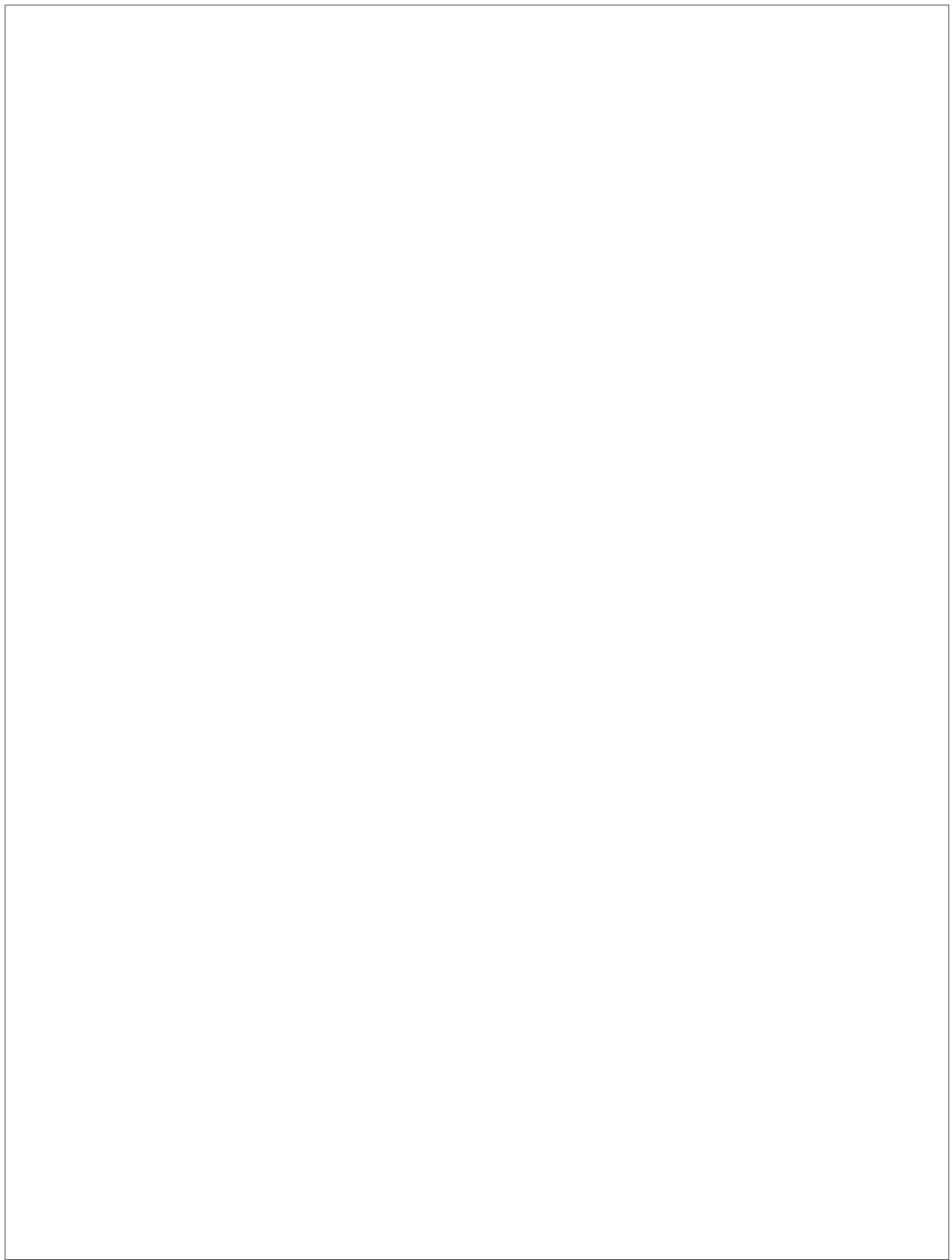
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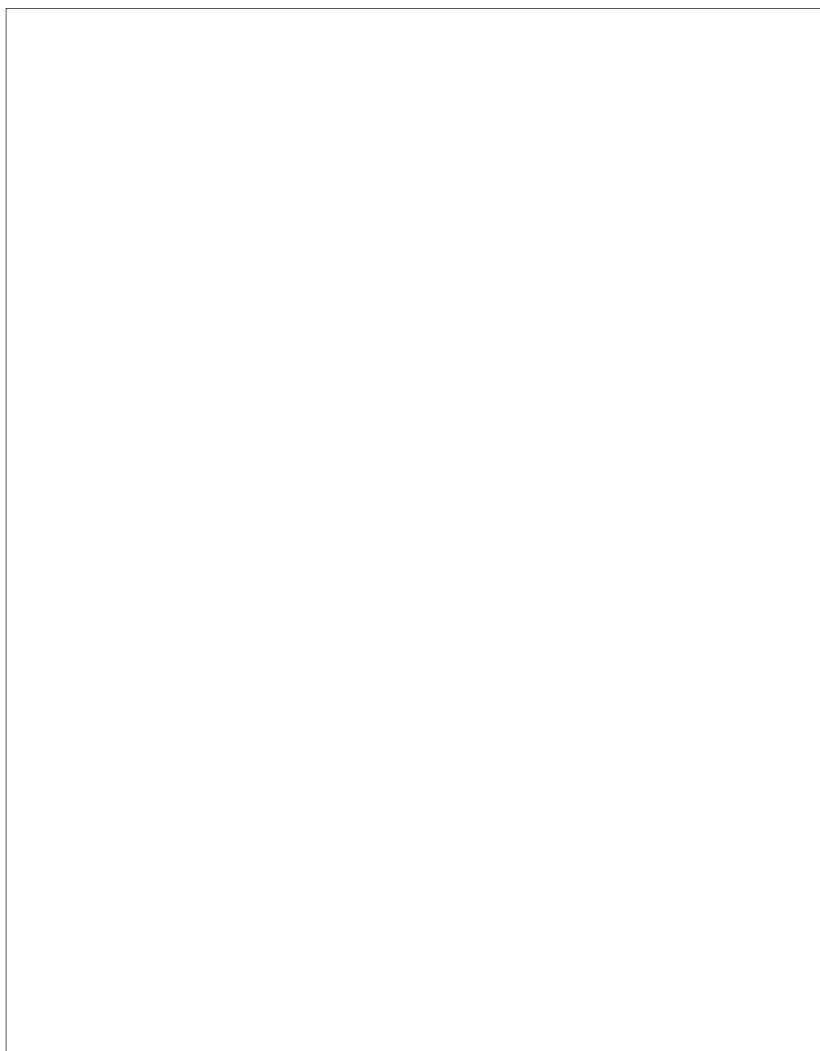


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South Africa



Mandela on the Move

Mandela has become increasingly comfortable in asserting himself since his release from nearly three decades in isolation. He still defers to the collective leadership of the ANC and remains attentive to the sensitivities of those who have struggled to break the white monopoly on power during his absence. Nonetheless, the notable lack of high-ranking ANC officials accompanying Mandela in the US suggests he enjoys greater decisionmaking independence and the executive leadership's trust. On the other hand, the small, largely working-level delegation may be unable to prepare him properly to address diverse audiences or to respond to unexpected issues.

Mandela is handling well both the stresses and the opportunities of the fanfare surrounding him. He remains unembittered toward those who imprisoned him, focusing on the task at hand rather than dwelling on the past. Mandela reacted with calm indifference to recent press allegations that the CIA had been involved in his arrest in 1962.

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Special Analysis

SOUTH AFRICA: Mandela's Visit to Washington

ANC patriarch Nelson Mandela views Washington as the most influential external actor in southern Africa and is seeking continued pressure on Pretoria. At home, he must rally his diverse, multiracial supporters for negotiations with the government; he undoubtedly believes his trip abroad will enhance his credentials and bring moral support and

Mandela and other senior ANC leaders are committed to negotiations to end apartheid and have worked closely with Pretoria behind the scenes. For example, they have cooperated on freeing political prisoners and handling refugee affairs. Mandela has sought to reassure audiences he envisions peaceful change leading to a new South Africa that:

- Respects both majority and minority interests.
- Protects private property while redressing the inequities of apartheid.
- Encourages private enterprise and foreign investment.

Leading the ANC Through New Challenges

Mandela must guide the ANC through an unprecedented era of overt negotiation and political organization that will put a premium on alliance building. The ANC is the most popular political force in South Africa, but it faces rival antiapartheid groups and restive factions within its own ranks.

Some hardline members of the ANC, other black opposition groups, and township youths are convinced that international sanctions and militant domestic protests have forced President de Klerk to the negotiating table. They believe white resolve is weakening and want to increase pressure until Pretoria agrees to an interim government and a constitutional assembly elected on a nonracial basis. These elements are also unwilling to bury grudges with Zulu leader Buthelezi, whom ANC sympathizers regard as a government collaborator and an instigator of the anti-ANC violence in Natal.

Mandela is also challenged to control the ANC's externally based military wing, which has resisted talks with Pretoria and has not always obeyed the political leadership. He undoubtedly wants to enhance the ANC's capability to wage an armed struggle should talks with Pretoria collapse, but he does not want unauthorized attacks to disrupt talks or to make it seem the group is not committed to a peaceful settlement.

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Seeking Support Abroad

Internationally, Mandela is campaigning to maintain diplomatic pressure on Pretoria and to raise funds. He believes continued pressure is necessary to achieve more tangible results in dismantling apartheid. By persuading the international community to keep sanctions in place, Mandela probably hopes to show his militant supporters he can be an effective leader and a tough negotiator with Pretoria. He is also trying to win the confidence of the ANC's military wing by finding new sources of materiel to supplement reduced aid from Eastern Europe and the USSR.

Outlook

The ANC probably will make little progress reconciling the often contradictory demands of its constituency until after its national conference in December, when delegates elected from each region will vote for a new executive body. Until then, the ANC will lack a formal platform and will vacillate between moderate and hardline rhetoric. Even while the group labors to find its voice, it most likely will retain the largest following. Nonetheless, Mandela must proceed cautiously toward negotiations with both Buthelezi and Pretoria or risk losing some black support to antiapartheid rivals or Communist Party allies.

Mandela sees the US as a potentially vital donor of humanitarian, financial, and technical aid the ANC needs to prepare for negotiations, to recruit and train new members, and to resettle exiles. The group's fundraising in South Africa will probably fall far short of its needs, and Mandela undoubtedly hopes Washington will help rally overseas support.

The Mandela itinerary is being used to show appreciation to longtime allies, and the ANC has scheduled his visits to reward nations, cities, or groups that have long supported its call for sanctions and disinvestment from South Africa. He has delayed meeting with Prime Minister Thatcher, who has campaigned against South African sanctions, even though he visited the UK and spoke at well-attended events organized by British antiapartheid groups. Mandela undoubtedly recognizes US sensitivities on some ANC ties but has nonetheless expressed symbolic support for the PLO, Havana, and Tripoli, regarding them as past or potential supporters of the ANC cause.

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